

## THE DIGITAL ECONOMY

### Mobilisation, Monetisation, Innovation – Anticipating tomorrow’s demands, today!

#### Conference outline

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In just a few years the digital transformation has affected our lives in unimaginable ways. Digital services today touch every aspect of our lives, significantly improving quality of life on a day-to-day basis whilst driving economic development. The continued increase in consumer demand, coupled with heightened expectations of technology potential, are in some instances exceeding the pace at which industries are able to respond. One dares to say that the pace of innovation is being determined by consumer behaviour and the extent to which consumers eagerly embrace new technologies.

The trends are unmistakable: data traffic is growing exponentially, partially driven by the phenomenal increase in the number of smartphones and tablets, but also by the relentless increase in demand for fixed data services. Global mobile subscriptions are expected to reach 9.3 billion by 2019, out of which, over 60% (around 5.6 billion) will be for smartphones.<sup>1</sup> This figure is well on the increase with the number of smartphone sales in Q1 2014 reaching around 66% of all mobile phone sales. It stands to reason that such figures parallel a simultaneous increase in the number of mobile-broadband subscriptions, which globally stand at around 2.3 billion (as at Q1 2014). Smartphone users are expected to quadruple their mobile consumption on a monthly basis with video being the largest contributor to this growth, so much so that it will account for more than 50% of all mobile traffic by 2019. It is also anticipated that by 2019, 80% of all mobile subscriptions will be mobile broadband. Mobile infrastructures must be capable of meeting this onslaught in demand.

At the end of March 2013, total fixed broadband connections reached approximately 655 million<sup>2</sup>. What is of most significance however is the growth related to the technology, with fibre technologies dominating the overall trends, growing by 9.8% in quarter 1. One can only anticipate that this positive growth will continue in years to come.

The advent of cloud computing and the proliferation of Over-the-Top (OTT) services has not only augmented the need for fast speed connections, it is driving demand for improved quality of service in broadband connections. Individuals and organisations alike are turning to a combination of cloud

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<sup>1</sup> Source: Ericsson Mobility Report 2013

<sup>2</sup> Source: Point Topic World Broadband Statistics Report (June 2013)

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storage, Software as a Service (SaaS) and remote desktop access to store, retrieve and consume content anywhere, anytime. Today, users are really and truly – ‘always on’. There is therefore no longer room for compromise when it comes to resiliency. Enterprise cloud services revenue is estimated to increase to a staggering \$31.9 billion worldwide by 2017<sup>3</sup>. Unarguably, a very lucrative industry! 66% of this revenue in 2012 was derived from SaaS compared to Infrastructure as a Service (IaaS), which accounted for 33% of revenue. The question today is not whether companies or consumers will use the cloud but rather what they will use the cloud for.

WhatsApp attracts approximately 600 million active users monthly. The average WhatsApp user sends an average of 1,267 messages, 13 voice messages and 40 photos per month<sup>4</sup>. In April this year, the company announced that users were sending 700 million photos and 100 million videos over WhatsApp every single day. Skype too has taken a leap forward, introducing High Definition video messaging services. Content providers such as Netflix are revolutionising the content industry. OTT services are definitely here to stay.

Deloitte predicts that in 2014, mobile instant messaging services will carry around 50 billion messages per day as opposed to 21 billion traditional SMSs.

Communicating, sharing experiences and voicing opinions have taken on a new meaning since the advent of social media. This phenomenon has not only revolutionised the way we communicate but has given traditional marketing a run for its money. Whilst the impact of social media on an individual level is obvious, companies are increasingly depending to social media for market data on product development, marketing and customer service improvements. They ignore this phenomenon at their own peril. A study carried out by McKinsey Global Institute found that the use of social media tools is likely to add twice as much value in enhancing communications, knowledge sharing and collaboration both within and across enterprises. The study questions whether structures, processes and cultures are conducive to this phenomenon and whether companies are open enough, transparent enough and trusting enough to participate effectively in social media.

No amount of number crunching will dispute the unrelenting pace at which the communications industry is changing and the direction it is taking. The real impact of this direction on the telecoms network industry is still unclear. What is clear is that these services are reshaping the market and driving traditional network operators to rethink and remodel their business operations to cater for these emergent markets. Ultimately, market forces will determine the shape of things to come in a world where telecoms, technology and content services converge. How can network operators take up the challenge and survive in such a fiercely competitive and unforgiving disruptive environment? How can they capitalise on these emerging trends and still give consumers what they want at the right price?

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<sup>3</sup> Source: Analysys Mason

<sup>4</sup> Source: Statista

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Of course, all these phenomena are occurring within the ambit of governance and regulation. Inevitably, regulation struggles to keep up with developments occurring at such a fast pace. How can we ensure that regulation encourages rather than inhibits innovation, thereby facilitating the growth of the digital economy?

The MCA's annual conference on 21<sup>st</sup> November 2014 promises to address the challenges faced by the industry by bringing to you key international experts in the field to share their experiences, forecast future trends and identify the key actions that need to be taken to propel the industry and the country to cater for a truly digital economy.